

GASB 43 & 45

Substantive Plan Development Services



Keenan
Financial Services

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A crucial component of compliance with GASB Statements 43 and 45 is development of a **Substantive Plan** that reflects a permanent commitment by the employer to provide an Other Post-Employment Benefit Plan (OPEB) for retirees of the employer.

What is a Substantive Plan?

GASB 43 defines the Substantive Plan as a plan through which assets are accumulated and benefits are paid as they come due in accordance with an agreement or understanding between the employer and plan members and their beneficiaries.

The major components of the **Substantive Plan** include:

- Written Plan Document
- Specific Level of Benefits
- Eligibility
- Communications Between Employer and Plan Members (record of and copies)
- Historical Practice Patterns
- Funding Plan and Reporting Standards
- Amendments and Updates as Changes are Made

The **Substantive Plan** is best reflected by a comprehensive Plan Document that, per the GASB Implementation Guide, "may provide the best evidence of what the substantive plan is ... as it fully and accurately reflects the understandings of the parties" (that is, the employer and plan members).

The **Substantive Plan** expressly documents the financial reporting and accounting schedules used. Additionally, it describes in detail the Benefits to be provided to plan members and beneficiaries. Finally, a definition of the core funding requirements for meeting the GASB Standards relating to the actuarially determined Annual Required Contribution (ARC) is included.

GASB Statement 43 states that "the actuarial present value of total projected benefits should include all benefits to be provided to plan members or beneficiaries in accordance with the current **Substantive Plan** at the time of each valuation, including any changes to the plan terms that have been made and communicated to employees." The written plan is the basis of the terms of the exchange.

A written Comprehensive Plan Document, a critical reflection of the Substantive Plan, is the only means of integrating the required provisions of California Government Code regulatory standards for the payment of retiree health care benefits (Sections 53620-53622) with GASB-Statement guidelines. Further, the **Substantive Plan** documents defined Fiduciary Standards for plan asset stewardship and investment management required under the California Government Code to be integrated with GASB 43 & 45 Statement Guidelines.

To demonstrate compliance with GASB Statements 43 & 45, a public employer must develop a **Substantive Plan** that reflects and

integrates all understandings of the employer and employees including Financial, Benefit Design, Regulatory and Fiduciary Specifications.

How can *Futuris* help?

Futuris brings together industry leading partners to offer an integrated approach to GASB 43/45 compliance including efficiently and effectively administering development of the **Substantive Plan**.

Futuris Consultants can help with the development and implementation of a **Substantive Plan** to ensure your agency's compliance with GASB 43 & 45 and assist in managing your agency's fiduciary liability. *Futuris* Consultants will work with you to analyze, compare and document the benefit design options, financial approach, regulatory and fiduciary specifications required in your **Substantive Plan**. Your Agency's plan may include:

- Plan Agreements, Resolutions and Statements
- Regulatory Issue Discussions
- Fiduciary Protocols and Processes
- Trust Structure Overview
- Private Letter Ruling
- Financial Structure & Specifications
- Financial Reports
- Investments
- Statistics

Futuris Consultants understand the fiduciary liability issues facing your agency whenever a public agency invests funds designated to provide employee benefits. In the case of a GASB retiree health and welfare benefit plan, a structured relationship with an outside investment manager that defines the monitoring of performance, investment policy statement, and ongoing financial reporting, may allow the agency to meet its obligations for prudently selecting the program, trustee and investment manager. In addition, a set of procedures must be spelled out and followed by the public agency to effectively meet their obligation to monitor the activities of the plan trustee and investment managers. *Futuris* can assist with development of a well-designed **Substantive Plan** that contains the necessary protections to mitigate the agency and its designated officers from potential fiduciary liability for their investment of public funds.

For more information on developing your **Substantive Plan** for GASB 43 compliance, please contact:

Debara Sorge
Keenan Financial Services
800-444-9995 ext. 2202
dsorge@keenanc.com